THE INTERNATIONAL COMPETITIVENESS OF ECONOMIES IN TRANSITION
THE UNTAPPED POTENTIAL: A CHALLENGE FOR BUSINESS AND GOVERNMENT

ROMANIA

A STRATEGIC RESPONSE TO SERVICES EXPORTING

Sofía, Bulgaria – November 2003
Romanian economy underwent important structural changes in the last ten years. An important one is related to the increase in services, which occupies now an important share in GDP. However, most part of this growth reflects increase of traditional services like wholesale and retail trade activities, travel and transport. In the same time these services or others, banking or financial ones, are internal market type, less important in exports. According to statistical data (which are not easy to gather, only source available being National Bank statistic), services export in Romania overpasses 1.5 billion US dollars in 2002. Major services in export are:

- IT&C;
- Tourism;
- Transportation.

Having in view the structure of the emerging service market in Romania, first issue should be to answer to the following question:

✓ **Which kind of services should we focus in order make strategies and concentrate efforts?**

According to our evaluation, best positioned in this respect are IT&C services and tourism.

1. **IT&C**

   Romania has build up a reasonable level of technological capability in the production of both hardware and software and has competitive advantages in the world market. The sector is under gradual liberalization and there is an important pool of skilled people both in IT&C and in foreign languages. The internal market IT&C cannot absorb yet this labor force in excess. Either they will go abroad or they will make off-shore outsourcing. On the other hand, skilled people and companies in IT&C means there is possibility to develop export services related to IT&C such as financial or banking services or others. One can distinguish three scenarios for developing this sector:

   - brain drain;
   - low-end, low-cost off-shore outsourcing;
   - high value, “end-to-end” service export.

2. **Tourism**

   Romania has rich natural resources and cultural or historical sites for strong tourism development and a big potential, still unutilised. Export of these services may have a “lifting effect” for some traditional product exports like wine, handicraft, glass-ware or services (cultural, healthcare).

Second issue to be addressed is:

✓ **What type of services should we promote?**

According to our evaluation, even if we have a strong interest in services export, we have to avoid promoting strategies base on in low-end, low-price or low skilled services. Both in IT&C or in tourism this danger exists, due to different constraints and lack of awareness among exporters, lack of visions and strategies. In order to find the right strategy towards value-added services exporting, one should start with constraints and present situation, making further a SWOT analyse for each important branch. On our opinion these constrains and limits are as follows:

- lack of information about export markets and about barriers in these markets;
- lack of market mentality, marketing and managerial skills;
- lack of capital and resources for R&D;
- lack of concern for quality standards and brands within specific fields;
- lack of co-operation and trust among companies for branch marketing;
- lack of branding for the branches and image building;
- not too many services given by the associations or public institutions to the companies or services overlapping;
- long way to a single strategy in the branch, accepted by companies, associations and public institutions;
- barriers in export (restrictive business practices, insufficient market openness for some services- telecommunication, transport, some financial services etc)

✓ **What to do?**

Building up Romania’s competitiveness in service export requires a complex set of mutual reinforcing activities at all levels:

- micro, company level;
- mezzo, associations level;
- public sector.

At **company** level competitiveness requires the ability of the companies to work as a cluster, to co-operate in best practices and making alliance.

At **mezzo** level the associations should make national coalition an should co-operate in branding the sector, in making only one strategy and one branch marketing, in making lobby and advocacy in front of the Government. They should also improve their visibility and services towards their members.

At **public sector** level, more co-operation between different institutions with responsibility in export promotion is needed. In the same time, more consultations and dialog with the private sector, with the associations in beneficial.

**The strategic response**

The strategic response is to create, for each branch a **coalition, a private-public partnership representing the three levels**. Whatever can be named (Competitiveness Coalition, Export Council or something else), they should be the “think-tank” or “branch marketers” with a vision and a strategy, with a brand-building concept. They should be the one to find market niche in value added services and identify target markets with strong export interest or to identify consumers segments to be focused. But this is not enough, they should stick to the strategy, to implement.

**Romanian experience**: Some action has been taken in the right direction
At the public level there is awareness that services exporting is an important chance for the Romania economy and different public institutions are supportive. In the same time, the branch association are in the process of making partnership at national level, are starting to co-ordinate and harmonize their interests. Both associations and public institutions are getting closer through consultation and dialog with the final goal to make private-public partnerships. Part of our activities in branding or branch marketing is fixing benchmarking and best-practices.

For example Ministry of Economy is deeply involved in branch marketing and branding of IT&C sector, myself being a member of the “Coalition Tech 21” uniting 4 branch associations and representatives from the public sector. In the same time, a major part of the instruments and mechanisms to promote exports are directed to service export (export missions, outside events, participating to specialized fairs, exhibitions and conferences, market studies, free access to market information and others).

Since improving the image of services exporting is important, we launched also public awareness campaigns in branding some branches, like IT&C (see slide). Branding finally means: strategy, marketing and efficient action according to a vision. Branding a branch is an important challenge, a long process, a journey and not a destination. Through branding we rather want to support some core competences around clusters, already validated by the market in tourism or IT&C, but also in other export products, instead of supporting in advance some value-added services in this sector which we think might have competitive advantages, and later discovering we were wrong.

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